

AMENDED IN SENATE JUNE 3, 2010

AMENDED IN SENATE JUNE 18, 2009

CALIFORNIA LEGISLATURE—2009–10 REGULAR SESSION

ASSEMBLY BILL

No. 684

Introduced by Assembly Member Ma
(Coauthors: Assembly Members Tom Berryhill and Skinner)

February 26, 2009

An act to amend Section 1371 of the Health and Safety Code, and to amend Section 10123.13 of the Insurance Code, relating to health care coverage.

LEGISLATIVE COUNSEL'S DIGEST

AB 684, as amended, Ma. Claim reimbursement: late payments: dental services.

Existing law, the Knox-Keene Health Care Service Plan Act of 1975, provides for the licensure and regulation of health care service plans by the Department of Managed Health Care and makes a willful violation of that act a crime. Existing law provides for the regulation of health insurers by the Department of Insurance. Under existing law, health care service plans and health insurers are required to reimburse claims within 30 or 45 working days, as specified, *unless the claim or portion thereof is contested*. ~~If a claim is not reimbursed within that time period, existing law requires that interest accrue at the rate of 15% per annum, for health care service plans, and 10% per annum, for health insurers.~~

~~With respect to contracts or policies covering dental services, this bill would increase the interest rate if the claims are not reimbursed within 60 or 90 working days, as specified, and would require the~~

~~additional interest to be paid to the Department of Managed Health Care or the Department of Insurance to be used for the purpose of enforcing specified claim practice provisions.~~

Existing law specifies that a claim is contested if the plan or insurer has not received a completed claim and all information necessary to determine payer liability. A plan *or insurer* is required to notify a claimant of a contested claim within a specified period of time, *and to identify the portion of the claim that is contested and the specific reasons for contesting the claim.*

With respect to contracts or policies covering dental services, this bill would require the plan or insurer to ~~include a request for the additional information in the contested claim notice. The bill would also require the plan or insurer to~~ acknowledge receipt of the additional information *a claim* within specified periods of time. *The bill would require the notice that a claim is being contested or denied to identify the necessary information missing from the claim submission, and to include a clear and accurate explanation of the necessity for that information.*

Because a willful violation of the bill's provisions with respect to health care service plans would be a crime, the bill would impose a state-mandated local program.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: yes.

The people of the State of California do enact as follows:

- 1 ~~SECTION 1. Section 1371 of the Health and Safety Code is~~
- 2 ~~amended to read:~~
- 3 ~~1371. (a) A health care service plan, including a specialized~~
- 4 ~~health care service plan, shall reimburse claims or any portion of~~
- 5 ~~any claim, whether in state or out of state, as soon as practical, but~~
- 6 ~~no later than 30 working days after receipt of the claim by the~~
- 7 ~~health care service plan, or if the health care service plan is a health~~
- 8 ~~maintenance organization, 45 working days after receipt of the~~
- 9 ~~claim by the health care service plan, unless the claim or portion~~

1 ~~thereof is contested by the plan in which case the claimant shall~~
2 ~~be notified, in writing, that the claim is contested or denied, within~~
3 ~~30 working days after receipt of the claim by the health care service~~
4 ~~plan, or if the health care service plan is a health maintenance~~
5 ~~organization, 45 working days after receipt of the claim by the~~
6 ~~health care service plan. The notice that a claim is being contested~~
7 ~~shall identify the portion of the claim that is contested and the~~
8 ~~specific reasons for contesting the claim.~~

9 ~~(b) If an uncontested claim is not reimbursed by delivery to the~~
10 ~~claimant's address of record within the respective 30 or 45 working~~
11 ~~days after receipt, interest shall accrue at the rate of 15 percent per~~
12 ~~annum beginning with the first calendar day after the 30- or~~
13 ~~45-working-day period.~~

14 ~~(c) With respect to a health care service plan contract covering~~
15 ~~dental services or a specialized health care service plan contract~~
16 ~~covering dental services pursuant to this chapter, in addition to~~
17 ~~subdivision (b), both of the following shall apply:~~

18 ~~(1) If an uncontested claim is not reimbursed by delivery to the~~
19 ~~claimant's address of record within 60 working days after receipt,~~
20 ~~interest shall accrue at the rate of 20 percent per annum beginning~~
21 ~~with the first calendar day after the 60-working-day period.~~

22 ~~(2) If an uncontested claim is not reimbursed by delivery to the~~
23 ~~claimant's address of record within 90 working days after receipt,~~
24 ~~interest shall accrue at the rate of 25 percent per annum beginning~~
25 ~~with the first calendar day after the 90-working-day period.~~

26 ~~(d) The interest that accrues in excess of 15 percent per annum~~
27 ~~pursuant to subdivision (c) and subparagraph (D) of paragraph (3)~~
28 ~~of subdivision (g) shall be paid to the department and,~~
29 ~~notwithstanding subdivision (b) of Section 1341.45, shall be~~
30 ~~deposited in the Managed Care Fund. These moneys shall, upon~~
31 ~~appropriation, be used for the purposes of enforcing Section~~
32 ~~1371.37.~~

33 ~~(e) A health care service plan shall automatically include in its~~
34 ~~payment of the claim all interest payable to the claimant pursuant~~
35 ~~to this section without requiring the claimant to submit a request~~
36 ~~for the interest amount. Any plan failing to comply with this~~
37 ~~requirement shall pay the claimant a ten dollar (\$10) fee.~~

38 ~~(f) For the purposes of this section, a claim, or portion thereof,~~
39 ~~is reasonably contested where the plan has not received the~~
40 ~~completed claim and all information necessary to determine payer~~

1 liability for the claim, or has not been granted reasonable access
2 to information concerning provider services. Information necessary
3 to determine payer liability for the claim includes, but is not limited
4 to, ~~reports of investigations concerning fraud and~~
5 ~~misrepresentation, and necessary consents, releases, and~~
6 ~~assignments, a claim on appeal, or other information necessary for~~
7 ~~the plan to determine the medical necessity for the health care~~
8 ~~services provided.~~

9 ~~(g) (1) If a claim or portion thereof is contested on the basis~~
10 ~~that the plan has not received all information necessary to~~
11 ~~determine payer liability for the claim or portion thereof and notice~~
12 ~~has been provided pursuant to this section, then the plan shall have~~
13 ~~30 working days or, if the health care service plan is a health~~
14 ~~maintenance organization, 45 working days after receipt of this~~
15 ~~additional information to complete reconsideration of the claim.~~

16 ~~(2) If a plan has received all of the information necessary to~~
17 ~~determine payer liability for a contested claim and has not~~
18 ~~reimbursed a claim it has determined to be payable within 30~~
19 ~~working days of the receipt of that information, or if the plan is a~~
20 ~~health maintenance organization, within 45 working days of receipt~~
21 ~~of that information, interest shall accrue and be payable at a rate~~
22 ~~of 15 percent per annum beginning with the first calendar day after~~
23 ~~the 30- or 45-working day period.~~

24 ~~(3) With respect to a health care service plan contract covering~~
25 ~~dental services or a specialized health care service plan contract~~
26 ~~covering dental services pursuant to this chapter, if a claim or~~
27 ~~portion thereof is contested on the basis that the plan has not~~
28 ~~received all information necessary to determine payer liability for~~
29 ~~the claim or portion thereof, all of the following shall apply:~~

30 ~~(A) The notice required under this section that the claim or~~
31 ~~portion thereof is being contested shall include a written request~~
32 ~~for the necessary information and a clear and accurate explanation~~
33 ~~of the necessity for that information.~~

34 ~~(B) The plan shall acknowledge receipt of any information~~
35 ~~requested pursuant to this paragraph as follows:~~

36 ~~(i) In the case of information that the claimant submits~~
37 ~~electronically, the plan shall acknowledge receipt of the~~
38 ~~information within two working days of receipt of the information~~
39 ~~by the office designated to receive the claim.~~

1 (ii) ~~In the case of information that the claimant submits in paper~~
2 ~~form, the plan shall acknowledge receipt of the information within~~
3 ~~15 working days of receipt of the information by the office~~
4 ~~designated to receive the claim.~~

5 (C) ~~Upon receipt of all of the information requested pursuant~~
6 ~~to this paragraph, the plan shall process or deny the claim or portion~~
7 ~~thereof within the timeframes specified in paragraph (1).~~

8 (D) ~~In addition to paragraph (2), both of the following shall~~
9 ~~apply:~~

10 (i) ~~If the plan has received all of the information necessary to~~
11 ~~determine payer liability for a contested claim and has not~~
12 ~~reimbursed a claim it has determined to be payable within 60~~
13 ~~working days of the receipt of that information, interest shall accrue~~
14 ~~and be payable at a rate of 20 percent per annum beginning with~~
15 ~~the first calendar day after the 60-working day period.~~

16 (ii) ~~If the plan has received all of the information necessary to~~
17 ~~determine payer liability for a contested claim and has not~~
18 ~~reimbursed a claim it has determined to be payable within 90~~
19 ~~working days of the receipt of that information, interest shall accrue~~
20 ~~and be payable at a rate of 25 percent per annum beginning with~~
21 ~~the first calendar day after the 90-working day period.~~

22 (h) ~~The obligation of the plan to comply with this section shall~~
23 ~~not be deemed to be waived when the plan requires its medical~~
24 ~~groups, independent practice associations, or other contracting~~
25 ~~entities to pay claims for covered services.~~

26 ~~SECTION 1. Section 1371 of the Health and Safety Code is~~
27 ~~amended to read:~~

28 1371. (a) (1) A health care service plan, including a
29 specialized health care service plan, shall reimburse claims or any
30 portion of any claim, whether in state or out of state, as soon as
31 practicable, but no later than 30 working days after receipt of the
32 claim by the health care service plan, or if the health care service
33 plan is a health maintenance organization, 45 working days after
34 receipt of the claim by the health care service plan, unless the claim
35 or portion thereof is contested by the plan in which case the
36 claimant shall be notified, in writing, that the claim is contested
37 or denied, within 30 working days after receipt of the claim by the
38 health care service plan, or if the health care service plan is a health
39 maintenance organization, 45 working days after receipt of the
40 claim by the health care service plan. The notice that a claim is

1 being contested shall identify the portion of the claim that is
2 contested and the specific reasons for contesting the claim.

3 If

4 (2) *If* an uncontested claim is not reimbursed by delivery to the
5 claimants² claimant's address of record within the respective 30
6 or 45 working days after receipt, interest shall accrue at the rate
7 of 15 percent per annum beginning with the first calendar day after
8 the 30- or 45-working-day period. A health care service plan shall
9 automatically include in its payment of the claim all interest that
10 has accrued pursuant to this section without requiring the claimant
11 to submit a request for the interest amount. Any plan failing to
12 comply with this requirement shall pay the claimant a ten dollar
13 (\$10) fee.

14 For

15 (3) *For* the purposes of this section, a claim, or portion thereof,
16 is reasonably contested if the plan has not received the completed
17 claim and all information necessary to determine payer liability
18 for the claim, or has not been granted reasonable access to
19 information concerning provider services. Information necessary
20 to determine payer liability for the claim includes, but is not limited
21 to, reports of investigations concerning fraud and
22 misrepresentation, and necessary consents, releases, and
23 assignments, a claim on appeal, or other information necessary for
24 the plan to determine the medical necessity for the health care
25 services provided.

26 If

27 (4) *If* a claim or portion thereof is contested on the basis that
28 the plan has not received all information necessary to determine
29 payer liability for the claim or portion thereof and notice has been
30 provided pursuant to this section, the plan shall have 30 working
31 days or, if the health care service plan is a health maintenance
32 organization, 45 working days after receipt of this additional
33 information to complete reconsideration of the claim. If a plan has
34 received all of the information necessary to determine payer
35 liability for a contested claim and has not reimbursed a claim it
36 has determined to be payable within 30 working days of the receipt
37 of that information, or if the plan is a health maintenance
38 organization, within 45 working days of receipt of that information,
39 interest shall accrue and be payable at a rate of 15 percent per

1 annum beginning with the first calendar day after the 30- or
2 45-working-day period.

3 ~~The~~

4 (5) *The* obligation of the plan to comply with this section shall
5 not be deemed to be waived when the plan requires its medical
6 groups, independent practice associations, or other contracting
7 entities to pay claims for covered services.

8 (b) *With respect to a health care service plan contract covering*
9 *dental services or a specialized health care service plan contract*
10 *covering dental services pursuant to this chapter, the following*
11 *shall apply:*

12 (1) *The plan shall acknowledge to the claimant receipt of a*
13 *claim within two working days of receipt of an electronic claim*
14 *or within 15 days of receipt of a paper claim.*

15 (2) *If a claim or portion thereof lacks information necessary*
16 *for the plan to determine payer liability for the claim or portion*
17 *thereof, both of the following shall apply:*

18 (A) *The notice required under subdivision (a) that the claim or*
19 *portion thereof is being contested or denied shall identify the*
20 *necessary information missing from the claim submission and*
21 *include a clear and accurate explanation of the necessity for that*
22 *information*

23 (B) *Upon resubmission of the claim with the additional*
24 *information identified pursuant to subparagraph (A), the plan*
25 *shall then complete the processing of the claim within the*
26 *30-working day period required in subdivision (a).*

27 SEC. 2. Section 10123.13 of the Insurance Code is amended
28 to read:

29 10123.13. (a) Every insurer issuing group or individual policies
30 of health insurance that covers hospital, medical, or surgical
31 expenses, including those telemedicine services covered by the
32 insurer as defined in subdivision (a) of Section 2290.5 of the
33 Business and Professions Code, shall reimburse claims or any
34 portion of any claim, whether in state or out of state, for those
35 expenses as soon as practical, but no later than 30 working days
36 after receipt of the claim by the insurer unless the claim or portion
37 thereof is contested by the insurer, in which case the claimant shall
38 be notified, in writing, that the claim is contested or denied, within
39 30 working days after receipt of the claim by the insurer. The
40 notice that a claim is being contested or denied shall identify the

1 portion of the claim that is contested or denied and the specific
2 reasons including for each reason the factual and legal basis known
3 at that time by the insurer for contesting or denying the claim. If
4 the reason is based solely on facts or solely on law, the insurer is
5 required to provide only the factual or the legal basis for its reason
6 for contesting or denying the claim. The insurer shall provide a
7 copy of the notice to each insured who received services pursuant
8 to the claim that was contested or denied and to the insured's health
9 care provider that provided the services at issue. The notice shall
10 advise the provider who submitted the claim on behalf of the
11 insured or pursuant to a contract for alternative rates of payment
12 and the insured that either may seek review by the department of
13 a claim that the insurer contested or denied, and the notice shall
14 include the address, Internet Web site address, and telephone
15 number of the unit within the department that performs this review
16 function. The notice to the provider may be included on either the
17 explanation of benefits or remittance advice and shall also contain
18 a statement advising the provider of its right to enter into the
19 dispute resolution process described in Section 10123.137. The
20 notice to the insured may also be included on the explanation of
21 benefits.

22 (b) If an uncontested claim is not reimbursed by delivery to the
23 claimant's address of record within 30 working days after receipt,
24 interest shall accrue and shall be payable at the rate of 10 percent
25 per annum beginning with the first calendar day after the
26 30-working day period.

27 ~~(c) With respect to a health insurance policy covering dental~~
28 ~~services or a specialized health insurance policy covering dental~~
29 ~~services, in addition to subdivision (b), both of the following shall~~
30 ~~apply:~~

31 ~~(1) If an uncontested claim is not reimbursed by delivery to the~~
32 ~~claimant's address of record within 60 working days after receipt,~~
33 ~~interest shall accrue at the rate of 20 percent per annum beginning~~
34 ~~with the first calendar day after the 60-working day period.~~

35 ~~(2) If an uncontested claim is not reimbursed by delivery to the~~
36 ~~claimant's address of record within 90 working days after receipt,~~
37 ~~interest shall accrue at the rate of 25 percent per annum beginning~~
38 ~~with the first calendar day after the 90-working day period.~~

39 ~~(d) The interest that accrues in excess of 10 percent per annum~~
40 ~~pursuant to subdivision (c) and subparagraph (D) of paragraph (3)~~

1 of subdivision (e) shall be paid to the department and deposited
2 in the Insurance Fund. Notwithstanding Section 12975.7, these
3 moneys shall, upon appropriation, be used for the purposes of
4 enforcing Section 10133.66.

5 ~~(e) (1)–~~

6 (c) For purposes of this section, a claim, or portion thereof, is
7 reasonably contested when the insurer has not received a completed
8 claim and all information necessary to determine payer liability
9 for the claim, or has not been granted reasonable access to
10 information concerning provider services. Information necessary
11 to determine liability for the claims includes, but is not limited to,
12 reports of investigations concerning fraud and misrepresentation,
13 and necessary consents, releases, and assignments, a claim on
14 appeal, or other information necessary for the insurer to determine
15 the medical necessity for the health care services provided to the
16 claimant.

17 ~~(2) If claimant. If~~ an insurer has received all of the information
18 necessary to determine payer liability for a contested claim and
19 has not reimbursed a claim determined to be payable within 30
20 working days of receipt of that information, interest shall accrue
21 and be payable at a rate of 10 percent per annum beginning with
22 the first calendar day after the 30-working day period.

23 ~~(3) With respect to a health insurance policy covering dental~~
24 ~~services or a specialized health insurance policy covering dental~~
25 ~~services, if a claim or portion thereof is contested on the basis that~~
26 ~~the insurer has not received all information necessary to determine~~
27 ~~payer liability for the claim or portion thereof, all of the following~~
28 ~~shall apply:~~

29 ~~(A) The notice required under this section that the claim or~~
30 ~~portion thereof is being contested shall include a written request~~
31 ~~for the necessary information and a clear and accurate explanation~~
32 ~~of the necessity for that information.~~

33 ~~(B) The insurer shall acknowledge receipt of any information~~
34 ~~requested pursuant to this paragraph as follows:~~

35 ~~(i) In the case of information that the claimant submits~~
36 ~~electronically, the insurer shall acknowledge receipt of the~~
37 ~~information within two working days of receipt of the information~~
38 ~~by the office designated to receive the claim.~~

39 ~~(ii) In the case of information that the claimant submits in paper~~
40 ~~form, the insurer shall acknowledge receipt of the information~~

1 within 15 working days of receipt of the information by the office
2 designated to receive the claim.

3 ~~(C) Upon receipt of all of the information requested pursuant~~
4 ~~to this paragraph, the insurer shall process or deny the claim within~~
5 ~~the timeframe specified in paragraph (2).~~

6 ~~(D) In addition to paragraph (2), both of the following shall~~
7 ~~apply:~~

8 ~~(i) If the insurer has received all of the information necessary~~
9 ~~to determine payer liability for a contested claim and has not~~
10 ~~reimbursed a claim it has determined to be payable within 60~~
11 ~~working days of the receipt of that information, interest shall accrue~~
12 ~~and be payable at a rate of 20 percent per annum beginning with~~
13 ~~the first calendar day after the 60-working day period.~~

14 ~~(ii) If the insurer has received all of the information necessary~~
15 ~~to determine payer liability for a contested claim and has not~~
16 ~~reimbursed a claim it has determined to be payable within 90~~
17 ~~working days of the receipt of that information, interest shall accrue~~
18 ~~and be payable at a rate of 25 percent per annum beginning with~~
19 ~~the first calendar day after the 90-working day period.~~

20 ~~(f)~~

21 *(d) The obligation of the insurer to comply with this section*
22 *shall not be deemed to be waived when the insurer requires its*
23 *contracting entities to pay claims for covered services.*

24 *(e) With respect to a health insurance policy covering dental*
25 *services or a specialized health insurance policy covering dental*
26 *services, the following shall apply:*

27 *(1) The insurer shall acknowledge to the claimant receipt of a*
28 *claim within two working days of receipt of an electronic claim*
29 *or within 15 days of receipt of a paper claim.*

30 *(2) If a claim or portion thereof lacks information necessary*
31 *for the insurer to determine payer liability for the claim or portion*
32 *thereof, both of the following shall apply:*

33 *(A) The notice required under subdivision (a) that the claim or*
34 *portion thereof is being contested or denied shall identify the*
35 *necessary information missing from the claim submission and*
36 *include a clear and accurate explanation of the necessity for that*
37 *information.*

38 *(B) Upon resubmission of the claim with the additional*
39 *information identified pursuant to subparagraph (A), the insurer*

1 *shall then complete the processing of the claim within the*
2 *30-working day period required in subdivision (a).*

3 SEC. 3. No reimbursement is required by this act pursuant to
4 Section 6 of Article XIII B of the California Constitution because
5 the only costs that may be incurred by a local agency or school
6 district will be incurred because this act creates a new crime or
7 infraction, eliminates a crime or infraction, or changes the penalty
8 for a crime or infraction, within the meaning of Section 17556 of
9 the Government Code, or changes the definition of a crime within
10 the meaning of Section 6 of Article XIII B of the California
11 Constitution.